



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 5/28/2004

GAIN Report Number: HO4002

Honduras

Sugar

Annual

2004

Approved by:

Stephen M. Huete, Agricultural Counselor
U.S Embassy

Prepared by:

Ana Gomez, Agricultural Specialist

Report Highlights:

The sugar industry in Honduras has in recent years been investing in infrastructure and equipment, thus increasing refining capacity and improving efficiency. However in 2003, sugarcane production decreased by 9 percent due to drought conditions in the south and central areas of Honduras. Sugar mills are working at 90 percent of their productive capacity.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Tegucigalpa [HO1]
[HO]

Table of Contents

Section I – Situation and Outlook.....3

Section II - Statistical Tables6

 PSD Table6

 Centrifugal Sugar6

 Sugar Cane for Centrifugal7

 Export Trade Matrix8

Section I – Situation and Outlook

Sugar production, commerce and distribution in Honduras are privately owned. The GOH does not have any agricultural policy related to sugar. Honduras has seven sugar mills and all are privately owned. These sugar mills sell their production to the Sugar Miller's Association (CISA), which distributes the sugar nationwide. All the sugar mills are members of the Honduran Sugar Producers Association (APAH), which owns CISA and has around 10 warehouses in the country.

Factors that affect production are the insecurity in land tenure for sugar cane producers, high interest rates for credit, the need for investment and low world prices for sugar.

With increases in population and controlled domestic refined sugar prices, domestic consumption of sugar continues to rise. Currently annual consumption of sugar is 85 pounds per person, including soft drinks, of which 33 pounds are direct use and 52 pounds are indirect use. About 30 pounds of sugar are consumed per capita annually in processed and baked foods as well as beverages.

a. PS&D

The sugar industry in Honduras has in recent years been investing in infrastructure and equipment, thus increasing refining capacity and improving efficiency. This profitability and investment is reflected in increased production of centrifugal sugar. However in 2003, sugarcane production decreased by 9 percent due to drought conditions in the south and central areas of Honduras. Sugar mills are working at 90 percent of their productive capacity. The recovery rate is between 9 and 10 percent, which is lower than the more efficient industry in neighboring Guatemala.

Exports to the world reported in 2003 amounted to 53,833 MT. Exports were to the United States, Uruguay, Haiti, Colombia, Canada and El Salvador.

b. Prices and yields

Currently the price that farmers receive for cane in the field is Lps. 255.00 (\$15.43) per MT. The average 2002/2003 wholesale price for raw sugar was \$462.97/MT. The average 2002/2003 wholesale price for molasses was \$79.40/MT. These wholesale prices remained the same in 2003/2004.

The current wholesale price of refined sugar in 2003/2004 is \$0.50 per kilogram. The retail price for refined sugar is between L.9.50 and Lps.10.00 (\$0.56) per kilogram. The current floating exchange rate is Lps. 18.066 to the U.S. dollar.

In 2003, sugar yield was 94.4 Kg/MT. The molasses yield was 34.08 Kg/MT. The sugar industry is more interested in improving sugarcane and sugar yield than increasing the area under production. The sugarcane yield increase is done through a constant evaluation of seeds, the technical assistance from Research Centers in Honduras and Guatemala and technical assistance from Colombia. The sugar yield increase is done through improvements in milling technology.

c. Import duties, fees, and quotas

The import tariff for raw sugar is 40 percent (consumption tax is not charged). The import tariff for refined sugar is 15 percent plus 12 percent consumption tax. Quality restrictions are applied which state that by law, sugar for human consumption must have vitamin A

added to it, which the Honduras sugar industry does. The import tariff for raw sugar averages \$0.16 per kilogram. The import tariff for refined sugar is \$0.08 per kilogram.

Honduras depends on sugar exports as a major source of foreign exchange. The U.S. sugar import quota for Honduras is 10,531 MT out of the total quota of 1,117,195 MT. Sugar imports in 2003 were about 387 MT, for a value of \$102,457 CIF. Major imports of refined sugar were from the United States, Guatemala, El Salvador and Mexico.

d. Policy description

Because sugar is considered a basic commodity, which affects the cost of living, the Ministry of Industry must authorize any change in the consumer price for the domestic market. As a result, the consumer price has remained the same from 2000-2002. However, in 2003 an increase in price was authorized due to an increase in the sugar industry's costs.

Honduras does not have export taxes; they were eliminated three years ago in order to follow WTO recommendations and bring Honduras in line with Central American practices.

Sugarcane is Honduras' sixth most important agricultural crop, and it accounts for 5.1 percent of the agricultural GNP. 55 percent of sugar producers are small producers (with 1-18 hectares), 22 percent are medium producers (with 18-53 hectares) and 23 percent are large producers with more than 53 hectares. The sugar agro-industry generates 20,000 direct jobs and it is estimated that more than 120,000 people receive indirect benefits.

CISA has developed marketing programs for new brands and improved packaging and the areas of distribution have been increased in the north region of the country. In addition, since CISA has been using for many years 1-quintal bags (equivalent to 45.36 kilograms) they have change to 50 kilograms bags to bring Honduras in line with the rest of the countries.

As an alternative program to low world prices for sugar, the Central American Sugar Producers (AICA) contracted to do a study at the Central American regional level for the conversion of sugar into alcohol. By May 28, 2004, the Honduran Producers Sugar Association (APAH) will submit a proposal to the Central American Bank for Economic Integration (BCIE) to build a plant for that purpose. The next steps will be a market condition and a pre-feasibility study for the plant. APAH is also presenting to Congress draft legislation to promote investment in ethanol production and to add alcohol to gasoline. According to APAH, this will help to lower Honduras' fiscal deficit due to high petroleum costs, will benefit trade by lowering transportation costs and replacing imported petroleum, and improve environmental conditions.

In addition, at the end of 2003 the Ministry of Agriculture and the Ministry of Trade and Industry submitted a proposal to Congress to issue a law for the creation of a Sugar National Council. One of the objectives of the Council is to regulate matters between independent producers and sugar mills related to land tenure and technical assistance. This is the second time that a proposal for the Sugar National Council has not advanced in the GOH approval process. The first time the proposal was presented, it was vetoed by the President because two articles were not in accordance with international treaties signed by Honduras. It was vetoed a second time because the proposal would have given the private sector a majority on the Council. Currently, the proposal is at the Supreme Court of Justice to determine if the veto was in accordance with the law.

Regarding Honduras' participation in the Central America Free Trade Agreement (CAFTA) negotiations, representatives of APAH have made various declarations to the press in recent

weeks regarding the CAFTA clause of the stock management mechanism. APAH was concerned that with the swap the U.S. was not going to pay, but instead was going to send sugar to the Central American countries. However, in the recent April meeting APAH acknowledged that the U.S. was going to pay an economic compensation for sugar that would not be accepted for export to the U.S.

Free Trade Agreement negotiations with Canada were suspended due to CAFTA. Honduras, El Salvador, Guatemala and Nicaragua have had three rounds of negotiations. According to AICA the negotiations with Canada have established:

- a. A zero tariff consolidation for the Central America exports of raw sugar.
- b. A regional rule of origin that all trade should be from the five countries (including Costa Rica).
- c. Progress in the use of the concept of "net exporter" for sugar trade.
- d. Evaluation of a quota for refined sugar with zero tariff and/or reduction of import tariffs.

Further information can be found at the Honduran Producers Sugar Association (APAH) website: www.apah.hn

Section II - Statistical Tables

PSD Table

Centrifugal Sugar

PSD Table

Country	Honduras						
Commodity	Centrifugal Sugar						(1000 MT)
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official	Estimate [DA	Official	Estimate [DA	Official	Estimate [New]	
Market Year Begin		09/2002		09/2003		09/2004	MM/YYYY
Beginning Stocks	80	80	70	80	61	92	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	323	304	339	339	0	343	(1000 MT)
TOTAL Sugar Production	323	304	339	339	0	343	(1000 MT)
Raw Imports	0	0	0	0	0	0	(1000 MT)
Refined Imp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	403	384	409	419	61	435	(1000 MT)
Raw Exports	73	54	75	69	0	73	(1000 MT)
Refined Exp.(Raw Val)	0	0	0	0	0	0	(1000 MT)
TOTAL EXPORTS	73	54	75	69	0	73	(1000 MT)
Human Dom. Consumpti	260	250	273	258	0	265	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Disappearance	260	250	273	258	0	265	(1000 MT)
Ending Stocks	70	80	61	92	0	97	(1000 MT)
TOTAL DISTRIBUTION	403	384	409	419	0	435	(1000 MT)

Sugar Cane for Centrifugal

PSD Table

Country	Honduras						
Commodity	Sugar Cane for Centrifugal						(1000 HA)(1000 MT)
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official Estimate [DA Official Estimate [DA Official Estimate [New]						
Market Year Begin	09/1999		09/2000		09/2001		MM/YYYY
Area Planted	41	44	41	45	0	46	(1000 HA)
Area Harvested	40	43	40	44	0	45	(1000 HA)
Production	3500	3343	3600	3450	0	3500	(1000 MT)
TOTAL SUPPLY	3500	3343	3600	3450	0	3500	(1000 MT)
Utilization for Sugar	3500	3343	3600	3450	0	3500	(1000 MT)
Utilizatn for Alcohol	0	0	0	0	0	0	(1000 MT)
TOTAL UTILIZATION	3500	3343	3600	3450	0	3500	(1000 MT)

Export Trade Matrix

Export Trade Matrix**Country** Honduras**Commodity** Centrifugal SugarTime Period **Jan/Dec** Units: **Metric Tons**Exports for: **2003** **2004**U.S. **10,531** U.S. **10,531**Others **43,303** Others **58,000**

Total for Others **43,303** **58,000**Others not Listed Grand Total **53,834** **68531**